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**ANNUAL AUDITED  
FORM X-17A-5  
PART III**

PORT

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2004 AND ENDING 12/31/2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

New World Financial, Inc

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

AVENIDA RICHARDO SORIANO 65, 2nd Floor, No. 4

(No. and Street)

MARBELLASPAIN291000

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

JOHN DAGRACATEL# 1-212-809-1758

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

LICHTER, YU & ASSOCIATES

(Name - if individual, state last, first, middle name)

9191 Towne Centre Drive, San Diego CA 92122

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 23 2005 E

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

BCH

I, GARY STEVEN ARTZT, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NEW WORLD FINANCIAL, INC., as of JANUARY 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Gary S. Artzt  
Signature

PRESIDENT  
Title

SEE BACK OF PAGE  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Esta legitimación ha sido recogida en acta autorizada por mi en el día de hoy, con el número 545 de protocolo.

FE PÚBLICA  
NOTARIAL



7



**NEW WORLD FINANCIAL, INC.**  
**FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 AND 2003**

# LICHTER, YU & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

LOS ANGELES:  
16133 VENTURA BOULEVARD  
SUITE 520  
ENCINO, CA 91436  
(818) 789-0265 TELEPHONE  
(818) 784-3292 FACSIMILIE

SAN DIEGO:  
9191 TOWNE CENTRE DRIVE  
SUITE 406  
SAN DIEGO, CA 92122  
(858) 320-2808 TELEPHONE  
(858) 320-2828 FACSIMILIE

## Independent Auditor's Report

The Board of Directors  
NEW WORLD FINANCIAL, INC.  
Formerly Known as WORLD FINANCIAL CAPITAL MARKETS, INC.  
New York, New York

We have audited the accompanying statements of financial condition of NEW WORLD FINANCIAL, INC. as of December 31, 2004 and 2003, and the related statements of operations and changes in stockholder's equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities and Exchange act of 1934. These financial statements are the representations of NEW WORLD FINANCIAL, INC.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NEW WORLD FINANCIAL, INC. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II are presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



San Diego, California  
February 4, 2005

MEMBER  
CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

NEW WORLD FINANCIAL, INC.  
FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.  
STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2004 AND 2003

ASSETS

	2004	2003
Current Assets		
Cash	\$133,002	\$1,511
Receivable from brokers and dealers	27,834	30,261
Marketable securities	526,506	671,008
Other receivables	0	9,340
Prepaid expenses	0	8,251
Total current assets	<u>687,342</u>	<u>720,371</u>
Fixed Assets		
Furniture and equipment (net)	4,946	21,346
Total fixed assets	<u>4,946</u>	<u>21,346</u>
Other Assets		
Clearing deposit	100,000	100,000
Deposits	2,141	3,032
Total other assets	<u>102,141</u>	<u>103,032</u>
	<u>\$794,429</u>	<u>\$844,748</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts payable and accrued expenses	\$304,423	\$275,590
Total current liabilities	<u>304,423</u>	<u>275,590</u>
Stockholder's Equity		
Common stock, no par value, authorized 1,000 shares, 160 shares issued and outstanding	160	160
Additional paid in capital	201,211	201,211
Retained earnings	288,634	367,786
Total Stockholder's Equity	<u>490,005</u>	<u>569,157</u>
Total Liabilities and Stockholder's Equity	<u>\$794,429</u>	<u>\$844,748</u>

NEW WORLD FINANCIAL, INC.  
FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Revenue		
Commissions and fees	\$585,186	\$898,002
Gains and losses on marketable securities	(14,114)	493,154
Other	<u>0</u>	<u>2,961</u>
Total Revenue	<u>571,072</u>	<u>1,394,117</u>
Expense		
Commissions	71,175	34,552
Floor broker, exchange and clearance fees	84,088	67,527
Employee compensation and benefits	132,712	254,306
Selling expenses	6,826	48,716
Communications	15,955	43,207
Occupancy and equipment costs	60,999	131,138
Registration	19,779	15,054
Professional services	22,284	20,506
Other expenses	<u>89,410</u>	<u>169,670</u>
Total Expenses	<u>503,229</u>	<u>784,677</u>
Income (loss) from operations	<u>67,843</u>	<u>609,440</u>
Other (Income) and Expense		
Interest income	0	(553)
Interest expense	4,625	0
Litigation expense	100,000	118,845
Depreciation and amortization	5,184	4,513
Loss on disposal of equipment	15,186	45,080
Bad debts	<u>22,000</u>	<u>18,258</u>
Total Other (Income) and Expense	<u>146,995</u>	<u>186,143</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(79,152)	423,297
Income tax provision	<u>0</u>	<u>0</u>
NET INCOME (LOSS)	<u><u>(\$79,152)</u></u>	<u><u>\$423,297</u></u>

See Accompanying Notes and Auditor's Report

NEW WORLD FINANCIAL, INC.  
 FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.  
 STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY  
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Common Stock		
Balance at beginning of period	\$160	\$160
Sale of stock	<u>0</u>	<u>0</u>
Balance at end of period	<u>160</u>	<u>160</u>
 Additional Paid In Capital		
Balance at beginning of period	201,211	141,211
Contributions from stockholder	<u>0</u>	<u>60,000</u>
Balance at end of period	<u>201,211</u>	<u>201,211</u>
 Retained Earnings		
Balance at beginning of period	367,786	(55,511)
Net income (loss) for the period	<u>(79,152)</u>	<u>423,297</u>
Balance at end of period	<u>288,634</u>	<u>367,786</u>
 Total Stockholder's Equity	<u><u>\$490,005</u></u>	<u><u>\$569,157</u></u>

See Accompanying Notes and Auditor's Report

NEW WORLD FINANCIAL, INC.  
FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.  
STATEMENTS OF CASH FLOW  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income (loss)	(\$79,152)	\$423,297
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,184	4,513
Loss on disposal of equipment	15,186	45,080
Unrealized (gain) loss on investments	144,502	(510,464)
Realized (gain) loss on sale of investments	(130,388)	17,309
Decrease(increase) in receivable from Brokers and Dealers	2,427	(12,594)
Decrease(increase) in other receivables	9,340	6,360
Decrease(increase) in prepaid expenses	8,251	5,069
Decrease(increase) in clearing deposit	0	(65,000)
Decrease(increase) in deposits	891	19,447
(Decrease) increase in accounts payable and accrued expenses	28,833	86,131
Total Adjustments	<u>84,226</u>	<u>(404,148)</u>
Net cash provided by operating activities	<u>5,074</u>	<u>19,149</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(3,971)	(9,933)
Decrease in bank overdraft	0	(4,798)
Sale of investments	130,388	0
Net cash used in investing activities	<u>126,417</u>	<u>(14,731)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligations	0	(2,907)
Loan from stockholder	0	(60,000)
Capital contribution	0	60,000
Net cash provided by financing activities	<u>0</u>	<u>(2,906)</u>
Net change in cash	131,491	1,511
Cash at beginning of period	<u>1,511</u>	<u>0</u>
Cash at end of period	<u><u>\$133,002</u></u>	<u><u>\$1,511</u></u>
<b>Supplemental cash flow disclosures:</b>		
Interest payments	<u>\$4,625</u>	<u>\$0</u>

See Accompanying Notes and Auditor's Report

**NEW WORLD FINANCIAL, INC.**  
**FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 AND 2003**

**Note A - Nature Of Activities**

The Company was formed as a corporation in the State of California to operate as a registered broker-dealer with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company operates offices in New York and Marbella, Spain. The Company's primary source of revenue is providing brokerage services to customers, who are predominately individuals, and investment banking services.

**Note B - Accounting Policies**

**Revenue Recognition**

The Company recognizes income and expense on the accrual basis for financial and income tax reporting purposes.

Securities transactions and the related commission revenue and expense are recorded on a settlement date basis. Investment consulting fees are recognized as earned.

**Securities Transactions**

Proprietary securities transactions in regular-way trades are recorded on the settlement date. Profit and loss arising from all securities transactions entered into for the account and risk of the company are recorded on a settlement date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a settlement date basis.

**Risks and Uncertainties**

The Company believes that the diversity and breadth of the Company's products and services offering to customers, as well as the general stability of the economies in the markets in which it operates, significantly mitigates the risk of a severe impact occurring in the near term as a result of changes in its customer base, competition, or composition of its markets.

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with the accrual basis of accounting. Those estimates and assumptions affect the reported amounts of assets and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Receivable from Brokers and Dealers**

All accounts are current and have been determined to be fully collectible and no adjustment or allowance has been made for bad debts.

**NEW WORLD FINANCIAL, INC.**  
**FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 AND 2003**

**Note B - Accounting Policies (Continued)**

**Customer Transactions**

The Company does not hold inventory for customers. Securities transactions are cleared through another broker-dealer on a fully disclosed basis.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with initial maturities of three months or less to be cash equivalents.

**Note C - Cash**

The Company maintains its cash balance at a bank located in New York, New York. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2004 and 2003 there were no uninsured portions of the balances held at the bank.

**Note D - Net Capital**

Pursuant to the net capital provisions of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions (SEC Rule 15c3-1). Net capital and the related net capital ratio may fluctuate on a daily basis. As of December 31, 2004 and 2003, the Company had net capital requirements of \$20,296 and \$18,374, respectively and actual net capital of approximately \$82,222 and \$86,638, respectively.

**Note E - K(2)(ii) Exemption**

The Company relied on Section K(2)(ii) of the Securities and Exchange Commission Rule 15c3-3 to exempt them from the provisions of the rule.

**NEW WORLD FINANCIAL, INC.**  
**FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 AND 2003**

**Note F - Income Tax provision**

As of December 31, 2004 and 2003, the Company has made no provision for federal and state taxes due to the operating loss for the periods and net operating loss carryovers applicable to future periods.

**Note G - Marketable Securities**

At December 31, 2004 and 2003 the Company included Marketable Securities on its balance sheet. These securities are recorded at fair market value as of the end of the trading day on December 31, 2004 and 2003. As of December 31, 2004 the Company has an unrealized loss on investments held of \$144,502 and a realized gain of \$130,388. As of December 31, 2003 the Company had an unrealized gain on investments held of \$510,464 and a realized loss of \$17,309.

**Note H - Furniture and Equipment**

	<u>2004</u>	<u>2003</u>
Furniture and equipment	5,964	29,124
Leasehold improvements	<u>0</u>	<u>2,280</u>
Total fixed assets	5,964	31,404
Less accumulated depreciation	<u>( 1,018)</u>	<u>(10,058)</u>
Net fixed assets	<u>\$ 4,946</u>	<u>\$ 21,345</u>

**NEW WORLD FINANCIAL, INC.**  
**FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 AND 2003**

**Note I – Contingencies**

In 2002 the Company closed its offices in Melville, New York and terminated its office lease agreement, which was to run through 2006. On August 21, 2002 a settlement was reached with the lessor, which stipulated that the Company is to make eight monthly payments of \$4,812.50. As of December 31, 2002 the Company had made four payments under this agreement and accrued the remaining balance of \$19,250. During 2003 this amount was paid in full.

In August 2002 a Corporation filed suit against the Company and its owner and officers seeking monetary damages of approximately \$131,000 plus legal fees, interest and other costs related to its occupancy of sub-leased office facilities in New York. Among other items the suit alleges diversion of business opportunities and fraudulent transfer of business assets. The Company entered into a settlement agreement regarding this suit on August 18, 2003. The settlement was in the amount of \$67,500. Payment of \$7,500 at the time of execution of the agreement and twelve monthly payments of \$5,000 thereafter until paid in full. As of December 31, 2003 the Company had complied with all payments and the remaining balance due of \$40,000 was paid in 2004.

In 2002 the National Association of Securities Dealers (NASD) began an ongoing investigation against the Company and its principals concerning possible violations of NASD Rules 2110, 2120, 2210, 2510, and 3010. As of November 2003 the NASD completed their investigation and fined the Company, and its owner, a total of \$120,000. The Company made an initial payment of \$30,000 and is making monthly payments according to an agreed upon schedule with the NASD. As of December 31, 2004 and 2003 the respective remaining unpaid balance was \$52,451 and \$88,845, which have been accrued in the financial statements.

On January 31, 2003 the Company vacated its office space on Rector Street in New York and moved to a new office space in New York. The lease term on Rector Street was from March 1, 2002 through February 28, 2009. The Company believes that it terminated the lease under a clause, which alleviates all future rental payment obligations that it may have. The Lessor has not responded to the termination in any manner nor has it made any attempts at collection of future rents as of December 31, 2004 and 2003.

**NEW WORLD FINANCIAL, INC.**  
**FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

**Note I – Contingencies ( Continued)**

During 2003 the Company vacated its then current office space in Hawaii. The Landlord subsequently filed suit against the Company and on January 12, 2004 won a judgment in the amount of \$14,974. The Company has accordingly recorded this amount as a liability as of December 31, 2004 and 2003.

During 2004 the Company vacated its then current office space in New York, New York prior to the expiration of their lease. The landlord held a security deposit in the amount of \$9,687 which they used to offset amounts owed under the lease. The former landlord has at this time not pursued the Company or asked for any amount due. The Company has accrued \$100,000 as a contingency in this matter.

**Note J – Lease Commitments**

The Company has entered into a non-cancelable operating lease agreements for office facilities. This lease is for the period October 2004 to September 2005 at \$2,319 per month.

The minimum annual amounts due under this operating lease is:

Year ending December 31,

2005	\$ 20,871
------	-----------

Rent expense for operating leases for 2004 and 2003 was \$55,095 and \$123,979, respectively.

The company has also rented, on a month to month basis, a storage facility at the rate of \$240 per month.

**Note K – Related Party Transactions**

In November 2002 the sole stockholder of the Company lent the Company \$60,000. The amount was subsequently contributed to capital in 2003.

**WORLD FINANCIAL CAPITAL MARKETS, INC.**

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
AND INFORMATION RELATING TO THE POSSESSION AND CONTROL  
REQUIREMENTS UNDER RULE 15C3-3**

**DECEMBER 31, 2004 AND 2003**

WORLD FINANCIAL CAPITAL MARKETS, INC. relies on Section K(2)(ii) of the Securities and Exchange Rule 15c3-3 to exempt them from the provisions of these rules.

# LICHTER, YU & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

LOS ANGELES:

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(858) 320-2828 FACSIMILIE

The Board of Directors  
NEW WORLD FINANCIAL, INC.  
Formerly WORLD FINANCIAL CAPITAL MARKETS, INC.  
New York, New York

In planning and performing our audits of the financial statements of NEW WORLD FINANCIAL, INC. for the years ended December 31, 2004 and 2003 we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including test of compliance with such practices and procedures) followed by NEW WORLD FINANCIAL, INC. that we considered relevant to the objectives stated in Rule 17a-5(g): (1) in making the periodic computations of aggregate indebtedness and net capital under Securities and Exchange Commission Rule 17a-3(a)(II); and (2) the procedures for determining compliance with the exemptive provision of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities audits, counts, verification and comparison, and the recordation of differences required by Rule 17a-13 in complying with the requirements for prompt payment for securities under Section 8 of regulation T of the Board of Governors of the Federal Reserve System because the Company does not carry security accounts for customers or perform custodial functions relating to customer deposits.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required, to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objective. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

MEMBER

CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

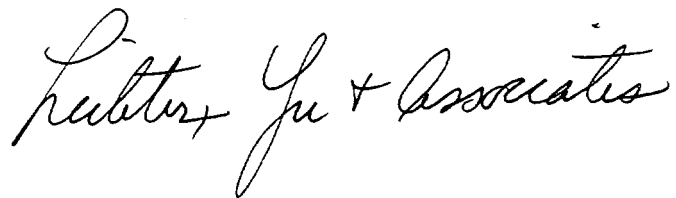
There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of the financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in condition, and that the degree of compliance with procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However we noted no matters involving the internal control structure that would be considered material weaknesses as defined above. In addition, no condition came to our attention to cause us to believe that the Company was not in compliance with the exemptive provision of Rule 15c3-3.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practice and procedures were adequate, at December 31, 2004 and 2003, to meet the Commission's objective.

This report is intended solely for the use of management, the Securities and Exchange Commission and the National Association of Securities Dealers, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

Sincerely,

A handwritten signature in cursive script that reads "PricewaterhouseCoopers". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

San Diego, California  
February 4, 2005

## SUPPLEMENTAL SCHEDULES

NEW WORLD FINANCIAL, INC.  
FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.  
COMPUTATION OF NET CAPITAL  
AND AGGREGATE INDEBTEDNESS  
DECEMBER 31, 2004 AND 2003

SCHEDULE I

	<u>2004</u>	<u>2003</u>
EQUITY - END OF YEAR	<u>\$490,005</u>	<u>\$569,157</u>
Less Non Allowable Assets		
Prepaid expenses	0	8,251
Securities not readily marketable	357,830	351,021
Other receivables	0	9,340
Fixed assets	4,946	21,346
Deposits	<u>2,141</u>	<u>3,032</u>
Total Non Allowable Assets	<u>364,917</u>	<u>392,989</u>
Net capital before haircuts	<u>125,088</u>	<u>176,168</u>
(Increase) Decrease for Hair Cuts or Undue Concentration	<u>42,866</u>	<u>89,530</u>
NET CAPITAL	<u><u>\$82,222</u></u>	<u><u>\$86,638</u></u>
Total Liabilities	<u>304,423</u>	<u>275,590</u>
Aggregated Indebtedness	<u>304,423</u>	<u>275,590</u>
Net Aggregated Indebtedness	<u>304,423</u>	<u>275,590</u>
Net Capital Required	<u>5,000</u>	<u>5,000</u>
Minimum Net Capital Required 6 2/3% of Aggregated Indebtedness	<u>20,296</u>	<u>18,374</u>
Minimum Dollar Requirement	<u>5,000</u>	<u>5,000</u>
Net Capital Requirement (greater of the two)	<u>20,296</u>	<u>18,374</u>
Excess (Deficit) Net Capital	<u>61,926</u>	<u>68,265</u>
Excess (Deficit) Net Capital @ 1000% (Net Capital - 10% of Aggregate Indebtedness)	<u><u>\$51,780</u></u>	<u><u>\$59,079</u></u>

See Accompanying Notes and Auditor's Report

NEW WORLD FINANCIAL, INC.  
FORMERLY KNOWN AS WORLD FINANCIAL CAPITAL MARKETS, INC.  
RECONCILIATION OF NET CAPITAL COMPUTATION WITH FOCUS II  
DECEMBER 31, 2004 AND 2003

SCHEDULE II

	<u>2004</u>	<u>2003</u>
NET CAPITAL PER FOCUS II REPORT	\$186,794	\$237,426
Increase (Decrease) in Income due to audit adjustments	(153,809)	(208,675)
Increase (Decrease) due to change in non-allowable assets	49,237	62,179
(Increase) Decrease in Hair Cuts and Undue Concentration	<u>0</u>	<u>(4,292)</u>
NET CAPITAL	<u>\$82,222</u>	<u>\$86,638</u>

RECONCILIATION OF AUDIT ADJUSTMENTS:

Write off deposits and prepaid expenses	(\$29,464)	\$0
Accrue litigation settlements and contingencies	(100,000)	(132,728)
Adjust accrued commissions and clearing charges	(5,740)	(10,003)
Increase in accrued expenses	(6,294)	(11,246)
Other adjustments	2,875	(9,618)
Record loss on disposal of equipment	<u>(15,186)</u>	<u>(45,080)</u>
Increase (Decrease) in income due to audit adjustments	<u>(\$153,809)</u>	<u>(\$208,675)</u>